

Appendix

Portions of Opinion of Court of Appeals on First Appeal (314 F.2d 149)

Pope, Circuit Judge:

Fleischmann Distilling Corporation, here called Fleischmann, filed in the court below its complaint for trademark infringement and unfair competition against Maier Brewing Company, here called Maier, and Ralphs Grocery Company, here called Ralphs, seeking an injunction restraining the defendants from using the name "Black & White" upon beer manufactured by Maier and sold by Ralphs. It asserted that such use of that name was an infringement of a trademark "Black & White" used on Scotch whisky manufactured abroad by James Buchanan & Company, here called Buchanan, and imported and sold by Fleischmann in the United States.

Jurisdiction in the court below was invoked by reason of the diversity of citizenship of the parties with the requisite amount in controversy, and also on the ground that it "arises under Acts of Congress relating to trademarks, [citing the Acts of February 20, 1905, and of July 5, 1946, hereafter referred to], and also asserts a related claim of unfair competition." Subsequently Buchanan filed a complaint in intervention against the same defendants adopting and incorporating therein Fleischmann's complaint and joining with Fleischmann in the prayer for relief.

Fleischmann and Buchanan, together, will be referred to herein as plaintiffs. After trial to the Judge, sitting without a jury, the court below entered its findings of fact and conclusions of law and a judgment finding generally for the defendants and against the plaintiffs, dismissing the action and awarding the defendants their costs. This appeal followed.

As the trial Judge noted in his opinion, the record presents no basic dispute as to the facts. Buchanan and its predecessor

have blended and sold Scotch whisky under the name "Black & White" since before the turn of the century, and have marketed the product in the United States under that name for more than 50 years. Buchanan registered the name as its trademark for Scotch whisky in the United States Patent Office in 1908, and in California in 1911. The federal registration was renewed under the Act of 1946 in 1948. Fleischmann has been the sole importer of Black & White whisky in the United States since 1948.

With respect to this Scotch whisky the trial court found as follows: "8. 'Black & White' Scotch whisky is a widely known Scotch whisky. It is the leader among Scotch whiskies. Its sales have exceeded one hundred million bottles during the tenure of Fleischmann and more than five hundred thousand cases have been sold in the six year period between 1951 and 1957, in California, more than half of which were sold in Los Angeles County where Ralphs does business. In the alcoholic beverage industry the name 'Black & White' has come to mean Scotch whisky." During the six year period mentioned, the plaintiffs expended more than five million dollars in advertising their Black & White Scotch whisky.

Maier is a brewing company in Los Angeles, and Ralphs owns and operates a chain of grocery stores in that area. Maier brews a low price beer which it sells under a variety of different labels. In the summer of 1956, Ralphs was seeking to obtain an inexpensive beer for sale in its chain of stores under a label for Ralphs' exclusive use. The upshot was that Maier sold beer to Ralphs through a wholesaler under the label Black & White. In December, 1957, Maier was notified by attorneys for Buchanan that they considered Maier's use of the Black & White name a trademark infringement and unfair competition. Maier was asked to discontinue using the name. A similar notice was sent to Ralphs the following May. These demands were refused and this suit followed.

Among the findings from which the trial court drew its conclusion that plaintiffs had not made a case against the defendants was Finding No. 28 as follows: "28. There is no real competition between plaintiff's Scotch whisky and defendants' beer. This lack of real competition renders it unlikely that there is, or will be, any confusion as to source in the mind of a buyer." This finding seems to suggest that Buchanan, as owner of a registered trademark, would be foreclosed from recovery if there was no real competition between plaintiffs' Scotch whisky and the beer. We think this finding indicates a misconception of the law here applicable, and of the significance of lack of competition.

The earlier trademark Act, that of 1905 (33 Stat. 724, et seq.), provided that a right of action to suppress an infringement of a registered mark arose only if the infringement was used on "goods of the same descriptive properties" as the registrant's goods. However, the Lanham Act of 1946 (60 Stat. 427, 15 U.S.C. § 1051, et seq.) made plain that infringement might be found and prohibited, though the use of the registered mark was upon goods having different descriptive properties than those set forth in the registration, and though in consequence there was no actual competition between the parties. This Act prohibits use without the registrant's consent "of any registered mark in connection with the sale, offering for sale, or advertising of any goods or services on or in connection with which such use is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services."

Thus the question to be determined here is whether the use by Maier and Ralphs of the name "Black & White" on their beer "is likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services."

* * * * *

"We proceed then to the inquiry whether under the circumstances here shown the use of the name Black & White on defendants' beer is likely to cause confusion as to the source of origin. Another finding of the trial court which may tend to explain the conclusion arrived at is Finding 22 as follows: "22. Scotch whisky and beer, although both containing alcohol, are goods of distinctly different properties."

For the reasons previously noted this finding is of no assistance in determining the question of likelihood of confusion. The Lanham Act has done away with the old concept of "goods of the same descriptive properties." We think that the trial court failed fully to appreciate this effect as is evidenced by the fact that in the court's opinion which accompanied its findings, reliance was made upon certain court decisions all of which antedated the Lanham Act.

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We think the record shows that the findings confirm that Buchanan had a trademark valid both at common law and under the applicable federal acts. If it be proper to speak of trademarks as being "strong" marks or "weak" marks,³ Buchanan's mark was assuredly a strong one. As used here, Buchanan's "Black & White" is not a descriptive term, nor does it indicate anything that has the qualities of black and white. * * *

* * *, we can say that the trademark Black & White is not used "otherwise than in a fictitious, arbitrary and fanciful manner."⁴ This was recognized in the findings of the trial court

3. See *Sunbeam Lighting Co. v. Sunbeam Corporation*, 9 Cir., 183 F.2d 969, 973.

4. In that case we relied upon and quoted from *Hamilton-Brown Shoe Co. v. Wolf Brothers & Co.*, 240 U.S. 251, dealing with the trademark "The American Girl" in connection with shoes. Some similar marks appear in the cases cited in appellants' footnote 13 which we have quoted above, such as the name "Seventeen" applied to a magazine, "Eskimo Pie" applied to an ice cream product, and "Minute Maid" applied to frozen juice.

where in Finding 8, which we have quoted above, it was stated: "In the alcoholic beverage industry the name 'Black & White' has come to mean Scotch whisky". This can have no meaning other than that it has acquired an arbitrary, fanciful, and secondary meaning.

The statement just quoted from Finding 8 has one corollary which necessarily follows from it, and which may be properly added to it;—the Scotch whisky, which the name Black & White has come to mean, is Buchanan's Scotch whisky.

* * * * *

And while we recognize that a multitude of persons engaged in supplying wholly different and distinct sorts of goods or services and using the name Black & White would not be chargeable with any wrong toward Buchanan or its trademark, yet there is an area in which the use of that name by others on products that are not Scotch whisky would plainly lead to confusion and mistake of the kind prohibited by the Lanham Act. An illustration of such use would be adoption of the name Black & White by a distiller of Bourbon whisky. The question which we must answer is just where the line must be drawn between the uses of Black & White that would be unexceptionable and those that should be enjoined because of the likelihood of confusion.

We have noted the recital in Finding 8 that "in the alcoholic beverage industry the name 'Black & White' has come to mean Scotch whisky." We have also noted that this means Buchanan's Scotch whisky.

Of course there may not be one in a hundred buyers of this whisky who knows that it is made by Buchanan or wholesaled by Fleischmann. Probably all that such buyers know is that Black & White Scotch whisky has satisfied them in the past or that they have heard of it and the average purchaser would no doubt select for the use of his guests something with which he was familiar and thus purchase Black & White whisky. What

are we to say about the same purchaser who starts for home on a hot evening and decides to take home beer for refreshment? He stops at Ralphs and notes beer bearing the label "Black & White" in that store's stock. We think it to be plain that the likelihood of confusion and mistake is present here and is established by the record.⁵ Assuming that the trial court's finding that it is "unlikely that there is, or will be any confusion as to source in the mind of a 'buyer'" is a finding of fact and not a legal conclusion, we hold that it is clearly erroneous.

It is our view, and we so hold, that the average purchaser, as the courts have described him, would be likely to believe, as he noted the Black & White beer in Ralphs' stores, that the maker of the beer had some connection with the concern which had produced the well known Black & White Scotch whisky. It is not material whether he would think that the makers of the Scotch whisky were actually brewing and bottling this beer, or whether it was being produced under their supervision or pursuant to some other arrangement with them. He would probably not concern himself about any such detail.⁶

5. The customer who buys one of these products presumably has in mind the taste and desires of himself, his family and his guests. The known tastes and habits of one's anticipated guests would no doubt determine which product or how much of each the purchaser would take home.

Plaintiffs' witness Baumgarten testified: "Well, again, as I said, anything in the alcoholic beverage industry, we are all striving to get part of that business. If I go into a bar or a package store I might decide that I want a beer, or I might decide that I want a bourbon, a vodka, a gin or a Scotch. And if I go into a package store to take it home, or if I go in to have a drink at a bar, you are all in competition, in my opinion."

6. Cf. Callman, "Unfair Competition and Trade Marks," 2nd Ed. pp. 1361, 1362: "The varying degrees and types of possible connection are, of course, myriad, and whether any connection will be assumed by the public may well depend upon the custom in the trade, as it is known to the public, whether the custom be recognized by law or not. In this connection, the defendant's name may create the impression that it is a corporation affiliated with the business of the plaintiff, or a dealer may be assumed to be in a particularly close relationship with a producer, or a

As the trial court noted, we are dealing here with operations in the alcoholic beverage industry. It seems to us that necessarily the use on defendants' alcoholic beverage of Buchanan's trademark would be likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods.

The circumstances under which Maier began the use of this name on its beer are such as tend to confirm our conclusion as to the likelihood of confusion. A salesman who had once worked for St. Claire Brewing Company suggested the name Black & White to the head of Maier. Maier had been selling its beer to sundry customers under various labels and names and was then approached by one Molner, a wholesaler, with a view to procuring a beer which he could sell at wholesale to Ralphs Grocery Company under a name reserved for Ralphs only. Maier's general sales manager testifying, described the conversation with this wholesaler as follows: "Another thing discussed was the matter of a brand name that we could make available. At that time the only label we had available that we were not using or that was not in use by someone was Black & White Lager Beer, which we had one or two sample labels which Mr. Mosiman had given me some time ago of the label Black & White beer. We showed them to Molner and he brought up the question of Black & White beer, or, rather, the name Black & White also being used for Scotch. He was told that we knew there was a Black & White Scotch. Its one of the most popular brands of Scotch. But that from our check that had been made, the name Black & White had been used on beer as was evidenced by the label, the sample labels we had.

service station may invoke a name that falsely identifies it as a branch of a manufacturer." And see, *L. E. Waterman Co. v. Gordon*, 2 cir., 72 F. 2d 272, 273: "The theory on which the wrong has been extended to include the use of the mark on goods never made or sold by the owner, is that, though the infringer's user cannot at the moment take away his customers, it may indirectly do so by tarnishing his reputation, or it may prevent him from extending his trade to the goods on which the infringer is using the mark."

It was not at the present time being used for beer any place else in the United States that we could determine. We knew it was not being used in California because we had checked with the Alcohol Control Board on price postings, and also that the brand was available—the brand name was available for use on beer. That was the end of it." When asked by counsel as to what he and the head of Maier considered with reference to the fact that there might be a conflict with Black & White Scotch if they adopted the name Black & White for beer, he testified: "I knew that there was and is a brand of Scotch Black & White, and I knew it was on the market. I knew it was one of the most popular brands on the market of Scotch. I could see no conflict between them—any possible conflict on the part of anybody between a can of beer on the one hand and a bottle of Scotch on the other, as to their being interchangeable, one product to the other."

The trial court found that Maier adopted the Black & White label for beer "in good faith". If by this finding the court meant

7. Kalmanovitz, the head of Maier, testified in his deposition as follows: "Q. At the time you adopted the name of Black and White for your beer, did you give any thought to the fact that was the same name that was being used on the Buchanan whiskey? A. Well, I had the knowledge that it was a Black and White scotch. Q. Did you think about it affirmatively, give any consideration to it when you adopted this label? A. I thought of it, but I couldn't find any relation, none whatsoever, between whiskey and beer. Q. Did you have any discussion on that point with anyone else? A. Possibly, just passing remark. Q. You have no definite recollection of it? A. Well, I said possibly was some comments, nothing of any importance. Q. Well, did you remember any such comment? A. Yes, I believe somebody mentioned, that I hear some remarks, a slighting remark, not any consequences that stayed in my mind. Q. You say 'a slighting remark'; what do you mean by that? A. Well, I mean I drink scotch and I know Black and White. There is no question and there is a scotch product on the market Black and White. Q. You know that it is advertised extensively? A. Well, I don't know how extensively. Occasionally I see on the billboards here and there. I don't know any degree in the State of California. Q. You have no recollection, I take it, of discussing with any lawyer the question whether there would be a conflict in the names? A. No. Q. The thought occurred to you personally? A. None whatsoever. I was positive in my mind then as I am now there is no relation between Black and White scotch whiskey and Black and White beer."

to say that Maier thought that under the law it had the right to use the label, no fault can be found with it. It is plain from the testimony quoted above that Maier was laboring under the same mistake of law which we have noted in the trial court's findings, namely, that since the goods had distinctly different properties, there was no real competition between whisky and beer, and hence that defendants' adoption of the label would be lawful because no confusion would be likely. But if the finding of good faith is intended to mean that defendants did not intend to adopt Buchanan's Black & White name or mark for the purpose of taking advantage of the aura of good will which surrounded the name, then the finding is clearly erroneous.

The manager knew that the Black & White Scotch "was one of the most popular brands on the market" and when the wholesaler brought up the question of Black & White also being used for Scotch, the manager told him that he knew there was a Black & White Scotch, "one of the most popular brands". Without seeking any legal advice these officers of Maier simply decided for themselves that there was no relation between Scotch whisky and beer and decided to go ahead.

We cannot conclude but that Maier deliberately adopted the name knowing that Black & White was the name and trademark of Buchanan and they must have done so with some purpose in mind.⁸ The only possible purpose could have been to capitalize upon the popularity of the name chosen. This popularity, they must have known, would extend to their product because the public would associate the name Black & White with something

8. The record shows not only a knowledgeable adoption of the name, but also an insistence on continuation of the imitation after notice to stop. See Restatement, Torts, § 716: "Moreover, regardless of the defendant's initial purpose or knowledge, an injunction for the future was deemed appropriate because continuance of the imitation after the notice was acquired in the suit would be tantamount to 'fraud.'"

old and reliable and meritorious in the way of an alcoholic beverage.⁹

It is well settled that plaintiffs were not obliged in order to make a case against the defendants to prove a wrongful intent. *Safeway Stores v. Rudner*, 9 cir., 246 F. 2d 826, 829. But when the evidence does show or require the inference that another's name was adopted deliberately with a view to obtain some advantage from the good will, good name, and good trade which another has built up, then the inference of likelihood of confusion is readily drawn, for the very act of the adopter has indicated that he expects confusion and resultant profit. *American Chicle Co. v. Topps Chewing Gum*, 2 cir., 208 F. 2d 560, 562; *Miles Shoes, Inc. v. R. H. Macy & Co.*, 2 cir., 199 F. 2d 602, 603; *National Van Lines v. Dean*, 9 Cir., 237 F. 2d 688, 692. As was said in the last cited case: "[I]f such an intent is shown, it raises a presumption that deception and confusion resulted."¹⁰

Furthermore, Maier knew, just as we do, that it had open to it a whole dictionary full of words, an encyclopedia full of proper names, and a world atlas full of place names from which to select a non-offending label. The evidence shows that at the time Maier was using no less than 21 separate names or labels.¹¹

9. Maier's manager testified that when the wholesaler Molner approached him they discussed the matter of a brand name. "At that time the only label we had available that we were not using or that was not in use by someone was Black & White Lager Beer." All that this can mean is that Maier had found that no other beer was then being marketed under that name, and Maier had obtained sample labels bearing the name. Maier never purported to have any connection with St. Clair. And at the time of his conversation the St. Claire company and its beer had been dead and gone 18 years.

10. See the discussion of this matter in Restatement, Torts, § 729, comment f.

11. These names were: ABC, Haufbrau, Steinbrau, 102, East Bavaria, Maier's Select, Padre, Rex, Black & White, Old Heidelberg, Old Time, Dodger, Better Foods, Cake, King Kole, Corey, McDaniels, Shoppers,

When a newcomer takes the name of Black & White and makes use of it on a product which in the mind of the buyer is related to or associated with the product of the original trademark owner, we think it may be said that confusion as to the source of origin is likely to result. The use need not be the same as, nor one in competition with the original use. The question is, are the uses related so that they are likely to be connected in the mind of a prospective purchaser?

This is a test which was early applied by the Second Circuit in a somewhat similar case. That court was one of those which prior to the Lanham Act gave to the 1905 Act a liberal construction which anticipated the changes that were written into the Lanham Act to which we have previously alluded.¹⁴ That case was *Aunt Jemima Co. v. Rigney & Co.*, 2 cir., 247 F. 407, 409.^{14a}

We think it must be said here, as in the *Aunt Jemima* case, *supra*, that beer and Scotch whisky, being both within the alcoholic beverage industry, are "so related as to fall within the mischief which equity should prevent." And, as suggested in the *Yale Electric Corporation* case, *supra*, we cannot hold that Maier's use is so

Alpine, Golden Brew, Golden Grain.

Surely this list did not exhaust Maier's ingenuity. The only rational explanation for the insistence on using Black & White was to trade on the other Black & White's good will.

14. See Robert, "Commentary on The Lanham Trade-Mark Act," appearing in 15 U.S.C.A. §§ 81-1113 (1948 ed.) p. 265, at 286: "Under the 1905 Act a right of action to suppress an infringement of a registered mark arose only if the infringement was used on 'goods of the same descriptive properties' as the registrant's goods. In its practical application, the phrase 'good of the same descriptive properties' was construed strictly by some courts and liberally by others, with the inevitable result that no one knew precisely what it meant. Strict construction required that the goods be the same, and some courts held that there must be actual confusion of goods before relief could be granted. But many courts reasoned that if the goods were unlike but somewhat related, purchasers might mistakenly think that the goods of both parties emanated from the same source."

14a. — [Omitted]

foreign to that of Buchanan's as to insure against any identification of the two.

It is not incumbent upon us here to express any opinion as to whether other uses of the name on products outside of the alcoholic beverage industry would or would not be infringement of the trademark.

* * * * *

And because we have found adequate legal support for our conclusion in the Lanham Act, we do not consider here the appellants' argument that California law, statutory and decisional, compels the same conclusion.

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We hold therefore that the court below was in error in denying the injunction prayed for.

The judgment is reversed and the cause is remanded to the district court with directions to enter judgment in accordance with this opinion. The question of plaintiffs' right to an accounting, not having been dealt with on the previous trial, remains for decision by the district court.

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